

Nobody Built It. Nobody Controls It. Nobody Is Accountable When It Fails.

America's financial deterrence infrastructure was assembled by accident, is enforced through borrowed authority, and is eroding in ways no institution in Washington is responsible for stopping.

In March 2025, Donald Trump floated the idea of reconnecting a Russian agricultural bank to SWIFT as part of a Ukraine ceasefire negotiation. The idea was quickly noted, then quickly forgotten. What almost nobody reported was the more important detail buried in the coverage: Trump couldn't do it even if he wanted to. SWIFT is a Belgian cooperative governed by EU law. The decision belongs to Brussels, not Washington.

That single fact is the most important thing most Americans don't know about the financial system that underpins their country's global power.

For fifty years, Washington has wielded the dollar as the world's most effective non-military deterrence instrument. Sanctions on Iran. The SWIFT cutoff of Russian banks in 2022. Secondary sanctions that forced European companies out of deals they had legally negotiated. The ability to monitor, freeze, or terminate virtually any significant financial transaction on earth. This architecture has done more to project American power than any weapons system in the post-Cold War era.

But here is what that architecture actually rests on: a 1974 executive agreement no Senate ever ratified, a Belgian messaging cooperative Washington doesn't own, enforcement authority assembled through executive orders no Congress ever formally debated, and a Federal Reserve interest rate process — now directed by Chair Kevin Warsh — that has no mechanism for considering what dollar policy does to the world that depends on it.

America's most powerful financial weapon was built by nobody in particular. It is controlled by nobody in particular. And when it fails — as it is now visibly beginning to fail — nobody in Washington will be accountable for it.

That is not an oversight. It is a structural feature of how American power actually works. And it is a feature Beijing has been building around, methodically, for a decade — not by declaring dollar replacement, but by constructing parallel infrastructure that reduces the cost of exclusion.

The Accountability Map

Walk through the institutions and ask who is responsible for preserving the dollar's deterrence value.

The Federal Reserve sets interest rates based on domestic inflation and employment. Full stop. When high rates raise the cost of dollar-denominated debt for every emerging market economy that borrowed in dollars — pushing those economies toward yuan-denominated alternatives at the precise moment China's parallel payment infrastructure becomes more liquid — that is not the

Fed's problem. The Fed is doing its job. The geopolitical consequences of that job are someone else's.

The Treasury Department enforces sanctions through OFAC. It issues secondary sanctions, designates entities, and uses dollar clearing access as the enforcement chokepoint. When those secondary sanctions catch neutral parties in their blast radius — European banks, Gulf financial institutions, Central Asian trading companies — and teach each of them that dollar dependency is a liability, Treasury is not accountable for the cumulative lesson being absorbed. It is enforcing existing law.

The National Security Council coordinates foreign policy but does not set monetary policy and does not control SWIFT. When a decision at the intersection of all three — say, whether the secondary sanctions regime is accelerating de-dollarization faster than the sanctions are achieving their policy objectives — falls between all three institutions, no one owns the question.

Congress has never built a statutory framework for dollar weaponization. The authorities Treasury uses derive from the International Emergency Economic Powers Act, interpreted broadly through decades of executive action. No legislation defines when secondary sanctions should or shouldn't be deployed. No oversight mechanism tracks the cumulative geopolitical cost of successive sanctions episodes. No committee has jurisdiction over the question of whether America is spending down its reserve currency status faster than its sanctions are achieving their objectives.

The result is a system where every institution is doing its job correctly, and the job that matters most — preserving the enforcement infrastructure that makes all the other jobs possible — belongs to no one.

What Brussels Knows That Washington Doesn't Say

SWIFT — the Society for Worldwide Interbank Financial Telecommunication — is a cooperative headquartered in La Hulpe, Belgium, incorporated under Belgian law, and regulated primarily by the European Union. Its lead overseer is the National Bank of Belgium. It is governed by a board representing member institutions across more than 200 countries. The United States is one voice among many.

Washington enforces SWIFT exclusions not by controlling SWIFT but by threatening dollar clearing access to any bank that doesn't comply with US sanctions. American correspondent banks, which sit at the center of global dollar clearing, are subject to US jurisdiction. If you process a transaction for a sanctioned entity, you lose access to those correspondent banks. You lose dollar clearing. In a world where 88 percent of foreign exchange transactions involve the dollar — the figure from the BIS Triennial Survey — that threat is existential for most financial institutions. So they comply.

This works as long as two conditions hold: dollar clearing remains the indispensable chokepoint, and US and EU sanctions policy remains aligned. Both conditions are now under stress simultaneously.

On alignment: European officials have watched secondary sanctions force EU companies out of legally negotiated Iranian deals for years. They are now watching an administration that lectures Europe about financial solidarity impose tariffs on European goods simultaneously. The assumption that Brussels will automatically follow Washington on SWIFT exclusions is no longer

as reliable as it was in 2022. The European Council on Foreign Relations has explicitly proposed that the EU could require foreign banks operating in Europe to apply for licences it could revoke if they comply with US secondary sanctions that harm European entities. That is a countermeasure. It has not been deployed. But it has been named and given institutional form.

On the chokepoint: China's Cross-Border Interbank Payment System — CIPS — processed the equivalent of approximately \$245 trillion in yuan-denominated transactions in 2025, with participation concentrated among institutions in the Gulf, Central Asia, Southeast Asia, and Africa — precisely the regions where the marginal decisions about oil settlement and reserve composition get made. CIPS doesn't need to replace SWIFT. It needs to route enough traffic around the dollar clearing chokepoint that the threat of SWIFT exclusion becomes a regional inconvenience rather than a global weapon. The trajectory is in that direction.

Washington built its enforcement architecture on the assumption that dollar clearing would remain indispensable and that allied coordination would remain frictionless. Neither assumption was ever written into law. Neither assumption is currently being defended by any institution with clear accountability for the outcome.

The Lesson Every Sanctions Episode Teaches

There is a compounding dynamic in dollar weaponization that no institution in Washington is tracking as a systemic risk.

Every time secondary sanctions catch neutral parties in their blast radius, those parties draw a conclusion: dollar dependency is a liability. Russia drew it after Crimea. Iran drew it after 2018. Banks in the UAE, Turkey, and Central Asia drew it in December 2023, when Washington's executive order on Russian trade sanctions caused measurable migration to yuan settlement among regional financial institutions. Saudi Arabia's decision in 2024 not to renew a 1974 bilateral security cooperation agreement — which had informally anchored dollar pricing of Saudi oil — signaled that the petrodollar arrangement is no longer politically automatic, even if it remains economically prevalent.

The dollar's share of global foreign exchange reserves has fallen from 73 percent in 2000 to roughly 57 percent as of mid-2025, according to IMF COFER data — the steepest sustained decline in a quarter century. This is not primarily China's doing. It is the compounding result of sanctions episodes teaching the same lesson, repeatedly, to different financial systems, with no institution in Washington accounting for the cumulative cost.

The dollar is not collapsing. It is fragmenting. Parallel settlement systems are allowing portions of global trade to bypass the dollar without replacing it. The coercive reach of sanctions is contracting as more transactions migrate to rails Washington cannot see. Fragmentation is more dangerous than collapse because it is far harder to reverse — and because it happens gradually enough that no single moment triggers an institutional response.

This is the accountability gap in its most dangerous form. Collapse would be visible. Fragmentation is quiet, incremental, and nobody's specific problem until it becomes everyone's crisis.

The Strongest Counterargument

Dollar dominance has been declared terminal before. After the Nixon shock in 1971, after the 1979 inflation crisis, after the euro's launch in 1999, after the 2008 financial crisis — each time, analysts predicted accelerating reserve diversification. Each time, the dollar's share stabilized. The structural reasons are real: dollar-denominated assets are the deepest and most liquid market in the world, US Treasuries remain the global safe haven by default, and no alternative — not the euro, not the yuan, not a basket — offers the combination of liquidity, legal certainty, and institutional depth that reserve managers actually require.

The yuan's share of global payments has remained between 2.7 and 3.1 percent for most of the past two years despite a decade of active Chinese promotion of internationalization. That is not the trajectory of a reserve currency in ascent. It is the trajectory of a currency that is useful for a specific set of sanctioned or sanction-adjacent transactions and has not broken through to general reserve use. The dollar's fragmentation thesis may be overstating a trend that will plateau well short of a structural shift.

That counterargument is legitimate and should be held alongside the accountability argument this paper is making. The two are not mutually exclusive. The dollar may prove more resilient than the fragmentation trend suggests — and the governance gap described here would still be a serious institutional failure. An infrastructure this consequential, resting on assumptions nobody has formally tested, managed by institutions with no clear accountability for the outcome, is a structural risk regardless of whether the current erosion rate proves persistent or temporary. Resilience that depends on the absence of a test is not the same as resilience.

What Accountability Would Actually Require

The argument here is not that sanctions are wrong. It is that an instrument this consequential — one that substitutes for military force, underwrites every security guarantee Washington has made since 1974, and depends on infrastructure Washington doesn't own — deserves a governance structure commensurate with its strategic importance.

That would require three things current Washington is not doing.

First, a statutory framework for dollar weaponization. Congress should define the conditions under which secondary sanctions can be deployed, the oversight mechanism for tracking cumulative geopolitical costs, and the institutional home for the question of whether America is spending down its reserve currency status faster than its sanctions are achieving their objectives. This is not a call to weaken sanctions. It is a call to treat them as the strategic asset they are rather than an infinitely renewable resource.

Second, formal coordination between Treasury sanctions policy and Federal Reserve rate decisions on their geopolitical consequences. Fed independence is a genuine institutional value and should be preserved. But the geopolitical consequences of interest rate decisions in a world where the dollar is the global reserve currency are currently nobody's responsibility. A standing interagency mechanism — not Fed control, but Fed visibility into the geopolitical downstream of rate decisions — would be a start.

Third, an honest accounting of the SWIFT governance assumption. Washington should formally assess what happens to dollar enforcement reach if EU-US sanctions alignment frays on a meaningful case. That assessment doesn't exist. It should. The answer may be reassuring. But an infrastructure this important should not rest on an assumption nobody has tested.

The dollar's deterrence value is declining on a known trajectory, toward a known outcome, with a known cause. The question is not whether Beijing is building around the ledger. It is whether anyone in Washington is reading the same one — and whether anyone will be accountable if the answer turns out to be no.

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About the Author

J. Kenneth Rhodes writes on geopolitical risk, institutional resilience, and economic frameworks for assessing system-level fragility. His work focuses on the gap between official narratives and behavioral evidence — and on the analytical infrastructure required to read one through the other. He is based in the United States.

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